

DEC 4 - 1934

The MANAGEMENT REVIEW

AMA

Volume XXIII, No. 12

DECEMBER, 1934

In This Issue

Unemployment Reserves, by John B. Andrews.

How Long Should We Work? by M. C. Rorty.

The Management Index

Abstracts and Descriptive Notes of Company Activities Including

Financial Management

Production Management

Insurance

Public Relations

Office Management

Marketing Management

Survey of Books for Executives

New Frontiers, Henry A. Wallace.

Beyond the New Deal, David Lawrence.

An Atlas of Current Affairs, J. F. Horrabin.

America's Hour of Decision, Glenn Frank, Jr.

How You Can Get a Job, Glenn L. Gardiner.

Published Monthly by the

AMERICAN MANAGEMENT ASSOCIATION

20 Vesey Street

New York, N. Y.

Copyright, 1934

AMERICAN MANAGEMENT ASSOCIATION BOARD OF DIRECTORS

Chairman of the Board—SAM A. LEWISON, *Vice-President and Treasurer*, Miami Copper Company.
Chairman of Executive Committee—ARTHUR H. YOUNG, *Vice-President in Charge of Industrial Relations*, United States Steel Corporation.
President—M. C. RORTY, Lusby, Maryland.

VICE-PRESIDENTS IN CHARGE OF DIVISIONS

Publications—ERNEST G. DRAVER, *Vice-President*, The Hills Brothers Company.
Conferences and Programs—W. J. DONALD, *Managing Director*, National Electrical Manufacturers Association.
Comptrollers' Council—J. W. OLIVER, *Secretary*, The Linen Thread Company, Inc.
Financial—EDMOND E. LINCOLN, *Economist*, E. I. du Pont de Nemours & Co.
Office Management—G. L. HAMMIS, *Manager of Office Systems*, Westinghouse Electric & Manufacturing Company.
Personnel—(Also President, Institute of Management)—H. B. BERGEN, *Director of Industrial Relations*, The Procter & Gamble Company.
Job Order Production—O. D. REICH, *Vice-President*, Dexter Folder Company.
Mass Production—GLENN GARDINER, Forstmann Woolen Co.
Industrial Marketing—E. E. AMES, *Vice-President and Director of Sales*, General Box Company.
Consumer Marketing—L. R. BOULWARE, *General Sales Manager*, Easy Washing Machine Corporation.
Insurance—J. A. ROBINSON, *Department of Insurance Management*, McKesson & Robbins, Inc.
Public Relations—EARL WHITEHORN, *Assistant Vice-President*, McGraw-Hill Publishing Company.
Packaging Exposition and Conference—IRWIN D. WOLZ, *Secretary*, Kaufmann Department Stores.
Chairman Finance Committee
Treasurer—J. W. OLIVER, *Secretary*, The Linen Thread Company, Inc.
Executive Vice-President—ALVIN E. DODD, 20 Vesey Street, New York, N. Y.

VICE-PRESIDENTS AT LARGE

W. A. GRIFFIN, *Assistant Vice-President*, American Telephone and Telegraph Company.
MARK M. JONES, *Consulting Economist*.
THOMAS R. JONES, *President*, American Type Founders Sales Corporation.

PAST PRESIDENTS

W. W. KINCAID, *Chairman of the Board*, The Spirella Company, Inc.
C. S. CHING, *Director of Industrial and Public Relations*, United States Rubber Company.
F. L. SWEETEN, *Partner*, Stevenson, Jordan & Harrison.
W. J. GRAHAM, *Vice-President*, The Equitable Life Assurance Society of the United States.

One Year Term

OLIVER F. BENZ, *Director of Sales*, Du Pont Cellophane Company.
C. A. BETHGE, *Vice-President*, Chicago Mail Order Company.
E. E. BRINKMAN, *Industrial Engineer*, Holeproof Hosiery Company.
H. R. LAKE, *Vice-President*, The Kendall Company.
E. S. LA ROSE, *Assistant Controller*, Bausch & Lomb Optical Company.
F. A. LORENZ, JR., *Vice-President*, American Steel Foundries.
J. H. MACLEOD, *Vice-President*, The Hinde & Dauch Paper Company.
CLEMENT SAY, *Secretary and Treasurer*, Northern Electric Company.
GEORGE T. TRUMBEL, JR., *President*, The Trundle Engineering Company.

Two Year Term

EDWARD E. AMES, *Vice-President and Director of Sales*, General Box Company.
H. V. BROWNE, *Manager, Office Standards Department*, The B. F. Goodrich Company.
T. W. DINLOCKER, *Secretary and Treasurer*, S K F Industries, Inc.
DWIGHT T. FARNHAM, *Industrial Relations Counselors*, Inc.
A. B. GATES, *Director of Training*, Eastman Kodak Company.
H. A. GIDNEY, *Comptroller*, Gulf Oil Corporation of Pennsylvania.
C. C. JARCHOW, *Comptroller*, American Steel Foundries.
AUGUSTE RICHARD, *President*, The Spool Cotton Company.
S. L. WHITSTONE, *Comptroller*, General Electric Company.

Three Year Term

M. J. BEERN, *Vice-President and General Manager of Sales*, American Radiator & Standard Sanitary Corporation.
H. V. COSS, *Manager, Industrial Department*, Ford, Bacon & Davis, Inc.
H. W. DODGE, *General Sales Manager*, The Texas Company.
KEMP G. FULLER, *Sales Research Department*, The West Penn Electric Company.
MERLE C. HALE, *Director of Industrial Relations*, General Motors Corporation.
C. J. HICKS, *Industrial Relations Counselors*, Inc.
CHAPIN HOSKINS, *Managing Editor*, Forbes.
EDGAR KOBAK, *Vice-President in Charge of Sales*, National Broadcasting Company, Inc.
JOHN A. STEVENSON, *Vice-President*, The Penn Mutual Life Insurance Company.

Executive Vice-President—ALVIN E. DODD, 20 Vesey Street, New York, N. Y.
Secretary—JOHN G. GORTZ, 20 Vesey Street, New York, N. Y.
Editor—E. M. RICE, 20 Vesey Street, New York, N. Y.

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 20 Vesey Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXIII, No. 12, December, 1934. Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

The MANAGEMENT REVIEW

DECEMBER, 1934

Unemployment Reserves

By JOHN B. ANDREWS, *Secretary*
American Association for Labor Legislation

ON NOVEMBER 14, the President of the United States, in a statement simultaneously released to the press, told members of the National Conference on Economic Security that the first step in his ambitious program of legislation is to be unemployment insurance. In making the priority doubly clear he deferred for later consideration other important branches of social insurance including both health insurance and old age pensions.

It is important to remember in this connection that the national platform pledge of the sweepingly victorious party in 1932 was for "old age and unemployment insurance under state laws." Moreover, in the recent election of 1934, the results of which are frequently referred to as "a second mandate," these two steps in the social insurance program were prominent among the promises of candidates of all parties. The example had been set for them in a statement issued by the Republican national committee on June 6, and by a message to Congress by the President on June 8. In that message the Chief Executive postponed for the time being action on pending bills in Congress and promised a well-rounded program for the coming winter.

Shortly thereafter the President appointed his Committee on Economic Security of which his able Secretary of Labor is chairman. This committee is to report by December 1. Meanwhile, the national conference was held in mid-November to which the President expressed his significant preference for action first on unemployment compensation. In the light of these developments—and in view of the rapidly growing public endorsement of insurance against involuntary unemployment—there is reason to expect the early adoption of this legislation.

Apparently following the suggestive lead of a cooperative country-wide

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

plan which was much discussed last spring, the President in his recent statement expressed the opinion that unemployment insurance should be "a co-operative federal-state undertaking." In the interest of greater safety and stability he proposes that the unemployment reserve funds be held and invested by the federal government. He also stressed the point that "Unemployment insurance must be set up with the purpose of decreasing rather than increasing unemployment." He warned against any "mingling of insurance and relief" and declared that unemployment insurance must not be financed by taxes. "Let us profit by the mistakes of foreign countries," concluded the President, "and keep out of unemployment insurance every element which is actuarially unsound."

The President pointed out that "In January the great majority of the state legislatures will convene, as well as Congress," and "not only will there have to be a federal law on unemployment insurance, but state laws will also be needed."

With this lead at Washington it appears likely that the President will—in his Message to Congress in early January—recommend a bill for prompt adoption. The terms of this federal measure are not yet revealed, but it is probable that the essential provisions of unemployment compensation legislation are to be left to the states for local determination.

Choice of Plans

This raises the paramount question as to the form which state action will take. Our system of political organization offers abundant opportunity for local experimentation by the states. The choice appears to be between two most widely discussed plans. In both proposals for state legislation it is aimed to provide only for normal periods of unemployment with possible accumulations to supply some measure of purchasing power at the beginning of the more extended periods of depression. It is recognized that there will always be need of supplementary public relief in extreme emergencies.

It is assumed that administration of unemployment compensation will be through an improved system of public employment offices. This will furnish an appropriate "work-test," and of course no benefits will be paid to an unemployed man if it is possible to find him a job. Moreover, the number of weeks he is paid out-of-work benefits will be further limited by the number of weeks he has been previously employed. And he will receive no benefits during several weeks immediately following his loss of employment. This so-called "waiting period" will be understood by those who are familiar with accident compensation. The workers, under both leading plans for unemployment compensation, will not receive as much as one-half of their total wage loss due to involuntary unemployment. They will thus have a direct incentive to get back to work as quickly as possible.

Aside from such obvious matters as the amount and duration of the

benefit to be paid to those who are involuntarily unemployed, and the corresponding contributions to be made to the reserve funds, discussion is now centered largely on two points:

First, are the reserve funds, under state supervision in either case, to have a separate direct appeal to efficient management of individual employers and separate industries as under the Wisconsin or "American Plan," or are the contributions of all employers from all industries to be thrown into one promiscuous pool as is done under some foreign schemes? It is generally agreed that the industrial or company reserve plan is less likely to be perverted in time of extended depression into an unlimited dole system.

Second, is the limited unemployment compensation, like American accident compensation, to be treated as one of the costs of doing business? The attitude of the workers on this point has recently been expressed by their national president, William Green, in an article in the current issue of the *American Labor Legislation Review*, New York City, and now available in pamphlet form. President Green agrees with President Roosevelt that unemployment compensation should not be a burden on the taxpayers. He believes that the limited compensation paid to those who are unemployed through no fault of their own should, like the cost of accident compensation, be made a part of over-head costs like other expenses of doing business. He agrees that the employer should pass this on to the consumers. He points out that it would be impossible for the worker to do this, and he concludes that the workers if required to make a direct contribution would have to pay twice, once directly and again indirectly since they constitute the great body of consumers.

Turning directly to the states, for that is where the actual unemployment compensation provisions are to be adopted, it may be noted that already a dozen official investigating commissions have reported in favor of this legislation. Others are at work and will report shortly. In 1933, moreover, bills were introduced in all of the leading industrial states and in seven of them a bill for compulsory job insurance was passed through one house of the legislature. An interstate commission, created under the inspiration of President Roosevelt when he was Governor of New York, has also urged unemployment reserve legislation similar to the one American law on this subject, which was adopted in 1932 in Wisconsin and went into effect on July 1 this year.

Efficient Management Rewarded

Under the Wisconsin law, it will be remembered, the employer sets aside monthly, under the supervision of the state, a small percentage of his payroll. This is segregated by the state and is to be used for the benefit of the employer's own unemployed workers. If he succeeds in maintaining the required reserve, his contributions are thereafter reduced. Efficiency of management is thus directly rewarded and the employer is encouraged to improve

conditions by stabilizing employment in his own plant. Employer preference for this reserve plan was recently expressed by vice-president Story of the Allis-Chalmers Manufacturing Company of Milwaukee, in an article in the October issue of *Nation's Business* published in Washington by the Chamber of Commerce of the United States. In an article in the *New York Times* of November 18, Sam A. Lewisohn, in recognizing that unemployment compensation legislation is "on our threshold," points out that it has become a problem of governmental and business finance and that in providing relief to the unemployed it will be the most inexpensive method. Earlier publications by Ernest G. Draper of The Hills Brothers Company, who for more than a decade has been an outspoken advocate of unemployment reserves and dismissal wage legislation, stress the value of its stimulus to good business management as well as a substitute for the wasteful charity dole system. The importance of developing every possible aid to regularization is well understood by the American Management Association which in its important educational work has pioneered for employment stabilization.

The pressure of mounting costs of unemployment relief is now turning attention irresistibly to the adoption of unemployment reserves under state laws. The President in turning the spot light on unemployment compensation as the immediate step in the economic security program has made prompt action doubly certain.

How Long Should We Work?

By M. C. RORTY

President, American Management Association

THERE is probably no question currently under discussion which is more in need of clarification than that of the schedules of normal working hours to which it is socially and economically desirable that we should return when the special conditions of the present emergency have passed.

This problem is wholly apart from that of any specific action which may be required to "spread work," in times of crisis or of special slackness in particular industries. It is, furthermore, clearly separable from that of such regulation of periods and hours of work as may be necessary for the safeguarding of health. And, finally, in spite of much popular confusion of thinking, it is in no way affected by any probability that we shall have a limited amount of work to divide and must, therefore, through a 30-hour week or otherwise, ration out such work as there may be.

This latter point is a specially important one. There is no fact more clearly proven in economic theory, or by our whole economic experience,

than the tendency for employment to be created for all who wish to work and are willing to accept compensation in accordance with their true value as workers. Arbitrary wage fixing and limitation of hours, together with other artificial interferences with the free play of economic forces, may create and perpetuate conditions of chronic unemployment. But, with reasonable freedom given to economic factors, the normal condition is one of substantially full employment and of a ready absorption of new-comers into industry, when, and as they are ready to begin their working careers. The simple fact is that each individual, through his own expenditures, creates somewhere in the economic system the equivalent of his own job. Private enterprise must be active and confident to provide the initial job, but, after each job is once created, it tends to perpetuate itself. Furthermore, it makes little difference what proportion of the product of each individual's efforts is paid directly to him as wages and what proportion may be paid out as interest and dividends—whichever way the money goes, it will be spent with equal certainty, in normal times, for shoes or automobiles, new buildings or new machinery, and these expenditures, whatever they may be, will operate with equal effect to maintain the level of employment. Chronic unemployment is the price paid for economic artificialities—a free economic system tends automatically toward balanced production and full employment.

Limitations of space make it impracticable to set forth all the details of experience and economic theory which support the preceding point of view. However, a simple approach, and one more readily comprehended by those who have not studied the problem at length, is that cycles of business activity tend to be measured in terms of percentages of variation from average levels. A reduction in average normal working hours might, therefore, reduce proportionately the loss of actual *hours* of work in times of depression, but would not materially affect the important item, which is the *percentage* of reduction in such employment.

If, therefore, it is assumed that there is no essential relation between the length of the customary working week and the severity of depression unemployment, and if it is assumed further that legal provisions as to maximum hours, particularly for women and the younger workers, will be adequate to safeguard health—then the further problem becomes one not for legislation or arbitrary action, but for a careful determination of the choice which workers themselves would make if they were fully aware of the facts, and could choose freely between added leisure and added real wages, step by step, with each increase in our general efficiency of production. The important problem is not that of directing or arbitrarily controlling the trend toward shortened hours of labor, but of letting such trend take its natural course without obstruction or interference.

In approaching the problem from this angle, there are certain facts which govern.

Manual workers can work, readily and continuously, at least one hour a day longer than mental workers, and with no greater strain or risk of injury to health. Working hours of more than forty-four per week are somewhat less effective *per hour* for manual work involving serious effort or close concentration, than when the forty-four hour week applies. Below forty-four hours of work per week the increase in production *per hour* is not, however, so significant. A forced reduction in working hours often leads to a corresponding forced speeding up of pace and to the introduction of labor-saving devices, but this is a separate factor from the innate ability of the average worker to maintain normal working speed for forty-four hours a week.

The tendency in the past has been for workers unconsciously to choose about a 50-50 split between added leisure and added real wages. This has been evidenced by the steady downward trend during the past half century from a normal working week of sixty hours to one now of perhaps forty-four. The demand of labor unions for much shorter hours is so mixed with their belief that their members can bargain more effectively with such shorter standard working periods, and with their further belief that there is not enough work to go around, that it is not wholly significant. The more responsible workers want a length of day which allows normal living and moderate leisure, but, with a fixed hourly rate of pay, will usually choose about a forty-four hour week, if that provides a reasonable margin over the cost of decent living. Improvident workers, will, however, choose shorter hours. For example, the field negroes in the south, it is said, will, at a maximum, work about \$8.00 worth a week. If they earn \$8.00 in three days—then they work no more than a three-day week.

The preceding impressions have been garnered in nearly forty years' experience as worker and employer, which experience has ranged from a sixty-hour week with (personal) pick and shovel, through positions as foreman and upward to large scale executive work. The writer's present estimate is that, with pay pro rata, or substantially pro rata, according to hours worked, the natural trend with increased efficiency of production will be somewhat more slowly than in the past toward a five-day week, with hours for manual workers ranging from a little under to a little over forty in different localities, according to the size of community and the travel time required to and from work. Brain workers will probably continue to work about one hour a day less.

In connection with the trend toward a five-day week, the simplest approach might be through the establishment of the plan of celebrating all legal holidays on the nearest Saturday. Otherwise, we may find ourselves, in due course, in the position of some of the Latin countries, with working operations often very thoroughly demoralized by holidays.

The problem of working hours in highly mechanized industry is often considered as a question apart from that of working hours for the popula-

tion as a whole. It is, however, essentially unfair that we should have specially favored groups among the working population, with specially short hours obtained at the expense of higher prices for goods purchased by those who are not so favored. With due allowance for the varying conditions in different localities and occupations, the benefits from improvements in science and technique should be spread fairly throughout the whole population as a general reduction in working hours. Of course, it would be very pleasant for the machine operator to work six hours a day while the farm worker toiled for ten hours or more—but it would be socially much more desirable if each had the same proportionate reduction in working time.

Studied from the preceding angle, it is, perhaps, a roughly sound conclusion that, with average productivity per man-hour increasing at the rate of about 2 per cent per annum, working hours should decrease about 1 per cent per annum, and weekly real wages should increase by an equal 1 per cent. This is sound economics, plus, perhaps, a reasonably exact estimate of the split between leisure and real weekly wages that the average worker would choose if he were able to make such choice in clean-cut form, without being confused and fogged by fallacious pleadings and arguments.

Of course, if we could largely increase our per capita productivity overnight, the picture might be different, but, at any given time, only about 5 per cent of the working population are engaged on operations which would lend themselves to radical savings through mechanization. In the course of years, the mechanical changes are extensive, but these changes seem normally to come by successive small steps, rather than in those wild leaps of which the technocrats dream.

Today, however, we are confronted with a wholly forced and unnatural condition. Employers, faced with arbitrary wage increases and limitations of hours, are compelled, in self-protection, to expedite the processes of technological change far beyond the normal. The technocrats' dream has become the nightmare of a new and very genuine, even if wholly artificial, technological unemployment. Testimony to this effect is widespread. The circle is a thoroughly vicious one. Shortened hours and increased hourly rates of pay result in a combination of higher prices, reduced demand, and forced increases in productive efficiency—and the process then repeats itself, with employers and employees equally helpless to control the situation. To determine the exact weight of the new burden which is thus being imposed on our struggling economy is impossible—but the seriousness of the situation cannot be disregarded. Technological changes which come in their natural course are national assets—but forced technological changes may become dangerous liabilities. The very efforts now being made to reduce unemployment may, in fact, be creating it anew.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

We Are More Than Economic Men

The "economic man" is a fiction of the nineteenth century which has been complicating the social system of the twentieth, according to Secretary of Agriculture Henry A. Wallace, who asserts that "So far as farmers are concerned, most Old Deal business men don't seem to believe in the profit system at all." The machinery of the New Deal is not perfect, he says, and can't be till the majority of the people want it to be. "There is nothing automatic about social machinery. . . . Human beings with all their various strengths and frailties, build it and operate it." And he believes in human beings.

Old Deal business men, he states, "think farmers ought to produce to the limit, no matter what the nature of the foreign demand may be, and no matter how low the price may go. . . . Some employers have never been able to see anything wrong in throwing laboring men out of employment, but they have felt, nevertheless, that it was a great sin to throw acres out of use." He acknowledges that there have been innumerable mistakes and petty annoyances in carrying out the government's new program but adds "When a new piece of social machinery is invented and put into operation, there are many who seem to think it will run itself." To run it "the intelligence of the economic engineer is certainly one prerequisite, and the motive power of human hearts honestly in search of social justice is another. We need both, perhaps in equal proportions."

In planning the New Deal "the one

thing above all others we stand for is that human beings come first," he says. "We believe that economic laws can be made to serve, and that human beings have in them a spark of the divine which gives point and flavor to their non-economic life. . . . In this picture we need a substitute for the notion of 'economic man.' We need, in this twentieth century, so rich in promise, the more realistic concept of man abundant in life and in spirit, a man as quick to express his need for cooperation and the abundant life as his predecessor in the nineteenth century was quick to express his belief in competition and the survival of the fittest." By Henry A. Wallace. *Scribner's*, December, 1934, p. 321 :6.

Is Our Recovery Thesis Wrong?

In explaining certain of our economic fallacies the professor of economics, School of Commerce, New York University, points out that most people lose sight of the relationship between unemployment and the laws of value and price.

One point, says Professor King, almost universally overlooked is that whether a man is employed or unemployed depends primarily upon the relationship between the price at which the prospective worker is willing to sell his labor and the price which a prospective employer is willing to pay for it.

Unemployment has developed on such a grand scale as witnessed in western Europe and the United States in recent years because wage rates have been controlled either by union rules or custom. The Eng-

lish unions have been strong enough ever since the World War to prevent workers accepting lower pay.

In the United States, labor unions, writes Dr. King, are relatively weak, hence the vast amount of unemployment cannot legitimately be laid to their influence, but must be ascribed almost entirely to the strength of custom and the prevalence of the "high wage" fallacy. "The one way to stabilize employment in this country is to devise ways to circumvent custom and counteract economic fallacies. Since labor is a commodity, as is capital, the price of any given grade of labor is evidently determined by the same laws that govern the prices of commodities in general.

Dr. King emphasizes the fact that neither poor relief nor unemployment insurance has any tendency to eliminate unemployment, but "both help to cultivate habits of idleness and hence to stimulate unrest, riots, and crime in general. From the social standpoint, therefore, neither can be considered remedial. Both must be regarded as dangerous habit-forming opiates."

Professor King holds that a public works program can be made to play a de-

sirable role in plans to stabilize employment, but it must be regarded as one phase of a wider program. By Willford I. King, *Nation's Business*, November, 1934, p. 15:5.

What the Depression Has Done to Public Utilities

Utilities have not been seriously affected by the depression and bills to consumers are practically the same as in 1929, according to the Director, American Public Utilities Bureau, who believes the depression has re-emphasized the public character of the utilities. By John Bauer. *Public Management*, October, 1934, p. 291:5.

Can We Make Everybody Rich?

There seems to be general agreement that this would be a better country if everybody could have all the comforts and security modern science makes possible. Many schemes are offered to make this possible by dividing wealth. Unfortunately, points out the author, most of them neglected to find out how much wealth there would be if it were distributed. By J. Warren Bishop. *Nation's Business*, October, 1934, p. 38:3.

FINANCIAL MANAGEMENT

Depreciation—Treasury Decision 4422

A study of the new regulations imposed by Treasury Decision 4422, which the writer summarizes as follows: 1. T. D. 4422 is now effective and is retroactive to all returns not yet closed; 2. It changes the past situation by ruling out an arbitrary use of life tables; 3. Requires an annual reconsideration of the rates; 4. Places the burden of proof to sustain deductions squarely upon the taxpayer; 5. Recognition must now be given to past operating conditions as affecting the rate; 6. Recognition must be given to current developments as affecting "remaining useful life"; 7. Year by year variations in depreciation rates are allowable if supportable as a better representation of actual conditions; 8. The advisability is indicated

of a regrouping of assets for accounting purposes as an aid in preparing the additional schedules now required; 9. Reproduction new appraisals cannot be used and if an entirely new tax basis is to be set up it must be on the historical retrospective cost basis. By Henry F. Storck. *Presented before the Illinois Manufacturers Association on October 8, 1934, at a Technical Discussion meeting held at the Hotel LaSalle, Chicago, Ford Bacon & Davis, Inc.* 8 pages.

Devaluation and Decapitalization

Since the depression started, "reverse split-ups" of stocks have been increasing. They are usually intended to enable a corporation to "devalue" assets which, in the light of current conditions, appear over-

valued; or to increase the reported surplus. They can beautify the superficial aspects of a sick balance sheet, and they can cause increases in published earnings; but by themselves they cannot increase a company's cash income or stop an inevitable receivership. Hence, the authors point out, it behooves the investor to know what he is doing, and why, when he approves a voluntary signing away of his rights. By Louis P. Starkweather and Frank L. Valenta. *Barron's*, October 1, 1934, p. 6:2.

How Can a Business Hedge Against Inflation?

This is the first of a series of articles by the head of Harland Allen Associates (consulting economists for a group of leading commercial and financial institutions) reporting the direction and measuring the velocity of inflation.

Mr. Allen feels that the present set-up of industry, the present policy of government, and the present trends in public relief are all "geared" to drive in the direction of serious inflation, but that inflation is not likely to come in one single bound, it always has come as a series of upward surges, and it has started to come that way in the United States. Thus, in every setback from a new price upsurge, there is at least a theoretical opportunity to put on the brakes and correct the situation.

In later articles Mr. Allen will discuss such important aspects of hedging against inflation as handling prices and handling a company's funds. He will develop some principles regarding price making and inventory policy in such a period, and will measure more precisely the rate of approach to inflation. By Harland H. Allen. *American Business*, October, 1934, p. 5:4.

Export Credit Insurance in Europe Today

A study of the sixteen European credit-insurance systems, with special stress on the British scheme, as a pattern for an entirely government-operated plan. Inasmuch as Germany had adopted a private insurance scheme with government coopera-

tion, its plan also is given special consideration. The British and the German patterns seem to be the bases upon which the others have been erected. However, particular attention is also given to the Spanish project, which introduced a bank as well as an insurance company, partly under private and partly under governmental direction. And since Italy is the only country to have a complete classification of its credits to the Union of Soviet Socialist Republics, a concise review of its project is also presented. To complete the research, a chart setting forth all the essential factors in the sixteen European schemes now in force is included. By Stella K. Margold. *United States Government Printing Office, Washington*, 1934. 100 pages.

Some ABC's of Modern Money

According to the author it is not overproduction that causes depression but lack of regulation of the price level. That the price level can be controlled has been demonstrated by Sweden who "has so regulated the flow of her circulating medium (including checking deposits) as to keep her domestic commodity price level as constant as possible."

If the dollar could be made as constant as a yardstick—and the author believes that President Roosevelt is on the road to making it so—price level caprice and consequent booms and depressions would be eliminated. By Irving Fisher. *The Rotarian*, October, 1934, p. 16:6.

A Further Step to Canadian Recovery

In Canada, as elsewhere, government policies have closely affected the extent and soundness of the recovery movement. Financial retrenchment and strict control of expenditures leading to a substantial ordinary budget surplus have maintained Canada's national credit. Important among Canadian economies has been the debt-refunding and conversion program which will save the Treasury some \$14,000,000 a year in interest charges, more than offset-

ting added interest burdens incurred to meet the cost of unemployment relief. The author adds that current levels of the government's obligations furnish striking evidence of its high credit standing. By James R. Clarke. *Barron's*, October 15, 1934, p. 7:1.

Five Advantages that Uniform Accounting Offers

The trend today points to supervised industry, according to Dr. Reitell, Stevenson, Jordan and Harrison. As this trend becomes more and more pronounced the need for uniform accounting for industry becomes increasingly apparent. It is the common language which enables the individual companies comprising an industry to understand one another, he shows, and he lists the following as the five main advantages it offers: 1. Greater profits; 2. Lower prices to the consumer; 3. Less costly governmental supervision; 4. Elimination of selling below cost; 5. Greater industrial cooperation. By Dr. Charles Reitell. *System and Business Management*, September, 1934, p. 412:2.

Gross Capital Formation, 1919-1933

Capital formation comprises the production, transportation, and distribution of that portion of the national output of goods and services which is not consumed immediately, but is retained and added to the nation's stock of wealth.

Total gross capital formation, in its broadest definition, is estimated to have been \$34,491,000,000 in 1929. For the 14-year period, 1919-32, it averaged \$27,329,000,000 per year, while a tentative estimate for 1933 is \$14,879,000,000. This total is made up of the cost to final consumers of all finished durable commodities, including construction, plus net change in business inventories and in international balances.

The allocation of the flow of durable commodities (exclusive of construction) gives a total of \$8,366,000,000 going to business investors in 1929, and \$10,058,000,000 going to ultimate consumers. These

figures are well above the 1919-32 averages, and still further above the estimates for 1933, which are \$2,626,000,000 and \$3,737,000,000, respectively. The third major item, construction including repairs, averaged \$11,826,000,000, or 43 per cent of the total, during the 14-year period. The total volume of construction in 1933 is estimated at \$5,325,000,000.

The 1933 estimates of gross capital formation show an increase over 1932, chiefly because of the increase in business inventories and public construction. Durable commodities reaching final consumers and business investors probably were constant or actually decreased in amount. Net capital formation was negative in both 1931 and 1932, and positive but small in 1933. In discussing the increasing proportion of goods flowing into capital formation during the decade 1919-29, Dr. Kuznets points out that the disparity is not in itself an indication of abnormality.

"Before judgment can be rendered," he says, "the disparity or similarity of the rates of change of these two streams in the total product must be related to parallel phenomena in the allocation of purchasing power, and interpreted in terms of long- and short-term aspects of supply and demand for the various groups of commodities considered." By Simon Kuznets. *National Bureau of Economic Research Bulletin No. 52*, November 15, 1934. 20 pages.

New Securities Rules Invite Corporation Listing

To list or not to list is one of the problems facing corporations today. In this article the president of the Chicago Stock Exchange shows not only the listing situation but reflects the mental attitude of the powers toward stock exchanges. By Michael J. O'Brien. *Commerce*, September, 1934, p. 19:2.

Operations of Cooperative Credit Societies in 1933

More than 200,000 persons borrowed money through cooperative credit societies

in 1933. This was shown by a survey just completed by the Bureau of Labor Statistics. The money so borrowed aggregated \$28,217,457, an average of \$138 per loan. The combined resources of these societies at the end of 1933 amounted to \$35,496,668. Reserve funds to cover possible losses amounted to \$2,372,711 and savings deposits to \$5,685,276. Uncollectible debts written off during the year formed less than one-fourth of one per cent of the loans granted. Dividends returned on stock amounted to nearly \$1,000,000. By Florence E. Parker. *Monthly Labor Review*, September, 1934, p. 551:20.

Experimenting with Our Money

The seven articles published here are part of a series of sixteen articles which have appeared in the *Sunday Magazine* of the

New York Herald Tribune and simultaneously in other associated newspapers, between May, 1933, and July, 1934, written by the professor of economics and director of the College of Business Administration, Lehigh University. All the articles deal with those measures and policies of the administration that have come to be known as the recovery program or, more popularly, as the New Deal. The articles reproduced here are concerned especially with the currency and credit measures of this program.

The titles of the articles are: The Silver Racket; Bimetallism; Who Profits by Inflation? A Mismanaged Currency; 59-cent Dollars; Silver Plating the Gold Standard; Where Are We Now? By Neil Carothers, *Farrar & Rinehart, Pamphlet No. 3*, 1934. 57 pages.

Insurance*

Merit Rating for Automobile Insurance

The author urges a real investigation or test pertaining to automobile property damage and bodily injury to see if merit rating of individual drivers of automobiles having good record is feasible. It is pointed out that a system is in vogue in Canada which grants a 10 per cent discount on insurance cost for a one year clear record, 15 per cent for two years, and 20 per cent for three years. It offers a real incentive for careful driving.

A second contention is that many owners of two or more cars do not have a double or triple exposure; therefore, the owner should have a lower insurance cost than is now assessed for the cars individually insured. By Clayton G. Hale. *The Spectator*, October 25, 1934, p. 16:1.

Replacement Form of Insurance Policy

According to some brokers, a demand has recently developed for the replacement form of settlement. Expressing the belief that most users of insurance carry it for

replacement purposes, it is argued that such a policy should be available. The English market has recently adopted a replacement form which contains the provision that settlement shall be on the basis of cost of replacement of the property but no payment to be made beyond the actual value of the property at the time of its destruction or damage. If the insured should be unable or unwilling to effect reinstatement the new settlement terms do not apply.

EDITOR'S NOTE: The foregoing suggestion is timely when one considers the current obsolescence which has occurred during this depression. Market values have been temporarily reduced to a point far below the actual value of many pieces of property now vacant but which the owner expects to use on resumption of business activity, or to dispose of when the market value is restored. This obsolescent value has been taken care of in individual cases by special insurance. While there has been much opposition to this form of coverage,

* Insurance abstracts are contributed by P. D. BETTERLEY, Assistant Treasurer, Graton & Knight Company.

there appears to be a legitimate need among good classes of risks. *The Insurance Broker-Age*, October, 1934, p. 6:1.

Operation of Unemployment-Insurance Systems in the United States and in Foreign Countries, 1931 to 1934

Comparatively few important changes have been made in foreign unemployment-insurance systems during the past two years, except the British law which was the subject of extensive amendments. Two new unemployment-insurance laws were enacted, one in Sweden and the other in Finland, the latter replacing an earlier law which had become inoperative. The most decided change in the British system is found in the provision for the final merging of the system of transitional benefits in the unemployment assistance scheme provided for in the new act. In Austria the measure providing for emergency relief was extended to the end of 1934; in Germany the system, which was said to be in excellent financial condition, had been somewhat simplified; in France it had been found necessary to increase State subsidies to unemployment funds; and in Switzerland some form of unemployment insurance had been adopted by all the Cantons. *Monthly Labor Review*, August, 1934, p. 273:35.

Spectator Fire Index

Statistics of the condition and business of American and foreign fire insurance companies with special classification of premiums and losses and underwriting profits and losses, compiled from official reports of companies for the ten years ending January 1, 1934. Contains reports upon about 900 organizations. *The Spectator Company*, 1934. 128 pages.

Hospitalization Plans

Increasing interest is shown in group hospitalization plans with the cost of hospital and medical care placed on a group payment basis through the use of insurance, through the use of taxation, or through the use of both methods.

There appears to be a trend toward a combination of hospital benefits and group accident and sick benefit insurance. Several insurance companies have adopted plans as follows:

Group benefits provide for payment of cash benefit during confinement in a hospital and a lump sum payment to cover certain special hospital fees; hospitalization benefits are issued only in conjunction with group accident and sickness policies, not issued separately; no case is written with less than 250 eligible lives. *The Eastern Underwriter*, November 9, 1934, p. 1:3.

The Deane Plan

This booklet incorporates certain simplifications recently made in what is known as the Deane Mutual Security Plan, designed to accomplish security for the worker through the permanent elimination of unemployment and a sustained buying power, and security for the employer through a sustained market for the goods or services he sells. The only important changes consist of the elimination of all features tending to regiment either the employer or employee.

Through this simplification it is possible to arrive at the Long Time Average and Monthly Average on the basis of the country as a whole rather than by industrial classifications. Instead of the payment of overtime premiums, a payroll tax is substituted, paid by all employers alike *only when their employment rises above the Long Time Average*, that is, only when their business is prosperous, and with advance notice of the levy.

Supplemental Compensation is also changed to the basis of a percentage of the basic compensation of the employee rather than one-half of his hourly rate. This eliminates the necessity of calculating hourly rates for employees paid on other than an hourly basis.

The basic characteristics of the plan remain intact, namely, the interplay of two mathematical averages as a device for accumulating and disbursing a self-liquidat-

ing reserve fund adequate to accomplish the purposes desired: 1. To sustain purchasing power at all times adequate to call for a continuation of maximum production; and 2. the complete elimination of involuntary unemployment. *Albert L. Deane, New York, 1934. 31 pages.*

Recent Developments in Industrial Group Insurance

This comprehensive report carries the following introductory statement: "Group Annuities and Pensions are the most recent developments in the group insurance field, but they seem to be meeting a need for sound and dependable old age protection in such a satisfactory manner that sales of group annuities are increasing at a considerably higher rate than those of other types of group insurance. To a large extent group annuities are replacing company plans or informal pension payments. During the ten-year period ending 1931, 42,000 death claims against group life insurance policies were paid and of the total number 43 per cent had no other insurance." The report also covers development in group accident and health insurance, and concludes with the statement that the social contribution of industrial group insurance has perhaps not been given the consideration it deserves. *National Industrial Conference Board, September, 1934. 46 pages.*

Fire Insurance Classification of Cities and Fire Losses

The need for an improved measuring schedule for fire protection is graphically pointed out by the author, executive director of the Bureau of Governmental Research of New Orleans, in this pamphlet. His study of forty-three American cities over 50,000 in population reveals an almost complete lack of coordination between the cities' actual fire losses and their insurance ratings according to the National Board of Fire Underwriters' classification of fire defenses and physical conditions.

The author challenges the methods

of spreading insurance losses based on the present grading system which rates a city a total of 5,000 points on these nine factors: water supply; fire department; fire alarm; police; building laws; hazards; structural conditions; climatic conditions and divergence between the first two factors. These factors deal with defenses or weapons and with natural or physical conditions. No consideration is given to whether the department functions efficiently and uses its fire defenses to advantage. Practically no effect is given to an efficient fire prevention bureau—an activity that has grown up since the Underwriters' schedule was devised.

The author is of the opinion that there should be four additional factors in the grading systems: 1. Ability to use fire defenses—rating actual performances of the department; 2. Fire prevention; 3. Moral hazard—the "I-should-worry" attitude of citizens; 4. Maintenance of an adequate record of fire losses. By Harold A. Stone. *Public Administration Service, Publication No. 43, 1934. 25 pages.*

Sound Unemployment Protection

Federal legislation making unemployment insurance compulsory seems inevitable. The vice-president, Allis-Chalmers Manufacturing Company, points out in this article that the plan to be adopted need not be socially detrimental if business men will study the question and join with labor in supporting a sound system.

His discussion of the subject covers the following questions: 1. Shall funds be pooled or segregated? 2. Who shall contribute? 3. Shall employers who establish adequate individual systems be exempted from the state system? By H. W. Story. *Nation's Business, October, 1934, p. 15:7.*

Solution of Social Insurance Problems

Governor McNutt of Indiana, in a recent address, pointed out the need of developing a form of comprehensive social insurance which would cure the evils of the Workmen's Compensation Laws by defi-

nately providing for health insurance, unemployment insurance, and old age pensions, as well as compensation. It was urged that the burden of such insurance be distributed between the employer and employee, with the part to be taken by the Government representing society as a whole yet to be determined. Much time has been spent in tinkering with compensation statutes. Experience has taught us that the ills of such statutes cannot be entirely taken care of or cured by modification of the law. The ultimate and proper solution of the problem will be based on experience and the insurance companies themselves can make most valuable contributions. Foundation work must be laid during the present, although it is impossible to establish the reserves during this major depression. *The Eastern Underwriter*, November 9, 1934, p. 42:1.

Latest Decision on Return Commission

The Appellate Division recently reversed the determination of the Appellate Term of the New York Supreme Court for the First Department in the case of the Scot-

tish Union & National Insurance Co. and the Standard Insurance Co. of New York against Geery, Guthrie & Co., insurance brokers, on the question of earned commissions, with the following memorandum:

"Determination reversed and the order of the Municipal Court affirmed with \$20 costs and disbursements in this court and \$10 costs in the Appellate Term, on the authority of *Indemnity Insurance Co. of North America vs. C. W. Ryan Co., Inc.*, 242 App. Div. 623. Order filed."

The Municipal Court had given judgment for Geery, Guthrie & Co.

The effect of this decision by the Appellate Division is that the law is now interpreted to mean that the broker has earned his commission when he has written the policy, regardless of whether it is canceled by the company or by the assured. The Appellate Division decision reverses what was hailed as the "first authoritative decision defining the relations between insurance companies and brokers with reference to the question of unearned commissions." *The Journal of Commerce*, November 5, 1934, p. 16:1.

OFFICE MANAGEMENT

Organization: Job Analysis, Employment, Pay, Tests

Fiscal and Statistical Operations Are Combined to End Duplication of Work

An example illustrating the trend toward combining the fiscal and statistical accounting operations is the system developed by the Russell Manufacturing Company, manufacturers of canvas and webbing products for the automotive and aeronautical industries.

This coordination of accounting operations has eliminated much duplication of work. The method described in this article makes available the figures covering sales, cost of sales, and gross profit, for each of the 50 major product classifications, which include 5,000 commodities in 21

sales divisions. It also provides the figures on sales for each of the major product classifications as sold by each of the 250 salesmen employed by the firm. *System and Business Management*, September, 1934, p. 424:2.

A High-Speed Expense and Income Control

The San Francisco Bank has developed a bookkeeping system which speeds up expense and income audits with the twofold purpose of economizing on bookkeeping cost and making the figures available to management whenever it wants them.

The system, which is applicable in a unit or branch-office organization, entirely eliminates the necessity of making journal en-

tries of expense and income items. This alone has saved much bookkeeping cost, aside from speeding up the preparation of daily comparative reports of expense and income. It eliminates the re-establishing of figures when making up daily, or monthly or annual expense and income reports, at a further saving of time and effort. The merit of this system lies in the fact that once the original entries have been made it is possible to accumulate totals for the various reports by the simple process of cross accumulation on a peg board. And it is possible at any time to make a complete audit of any group of expense or income by simply referring to the file where the original expense voucher and income tags are properly classified. The amounts of these tags can be quickly listed on an adding machine to secure totals for any group or groups of expense, or income, applying to any one branch or to the entire organization.

The various forms and vouchers mentioned are pictured. By J. K. Novins. *The Office Economist*, September-October, 1934, p. 3:4.

The Folly of Setting an Age Limit in Hiring Men

"The age question is both a fallacy and a fetish. Corporation executives who are buying years instead of ability and experience have been misled by the fallacy and they are worshipping the fetish. They are harming their business more than the men they bar.

"The personnel director of a corporation employing one thousand or more men should be a man of fifty or older. No man knows very much about human nature until he has lived fifty years, therefore a personnel director of fifty knows twice as much about life and its problems as does the man of thirty-five who tries to fill the same position.

"The healthy, well-educated and thoroughly seasoned executive does not require any training. His experience was not gained in the lecture room or from books. It must be lived, and he has what only

years of living and learning and laboring can give any man. If the younger men are to be trained, the seasoned man is the one to do it.

"Several well-known corporations have abolished their age limit. They have awakened to the fact that the scrapping of their best ability assets is dangerous to business. It is almost equivalent to destroying the power units in their factories. Men of fifty to sixty and in some cases seventy years of age are being employed for what they have accomplished in the past and what they are likely to do in the future. Suppose that a man, based on his family record, has an activity expectancy of ten years more. If he is sound of body and knows *what* to do—*how* to do it—and *when* to do it, take him on and pay him well. *A lot can be done in ten years.* By Roy B. Simpson. *American Business*, October, 1934, p. 29:6.

\$1,000 a Month Saved in Accounting Costs Through Mechanical Tabulating and Sorting

A reduction of approximately \$1,000 a month in accounting costs has been made possible by the use of a mechanical sorting and tabulating machine in the offices of the cough drop manufacturer—W. H. Luden, Incorporated. Where manual methods had been used to develop cost and statistical data for many years, the mechanical equipment is now used to do the same work with far greater speed and accuracy and at a fraction of former costs.

The method described is of particular interest in its application to the wage rate schedules established in the plant. *System and Business Management*, November, 1934, p. 527:2.

Production Control in Office Work

"We can state positively, as a result of more than 20 years of research work in our factory and office," states the first vice-president and secretary, The Curtis Publishing Company, "that intelligent study of methods and production in the office

usually will result in the saving of more money, in proportion to the size of payroll, than in the factory." He adds that, because of the nature of the Curtis organi-

zation, the methods described here are adaptable to small as well as to large offices. By Walter D. Fuller. *Executives Service Bulletin*, October, 1934, p. 5:3.

Records: Forms, Charts, Cards, Files, Statistics

Gang Printing Will Reduce Your Printing Bills

The writer points out that the idea of printing in gangs or groups is not new and shows how record form expenditures can be reduced by 20 per cent if this practice is followed. By L. Lufgren. *System and Business Management*, November, 1934, p. 518:6.

Group Plan for Office Machine Dealer Accounting

Described and illustrated in this article are forms which enable dealers of office machines to know at all times every item of cost that goes into the machines they sell, from rebuilding the machines clear through all other office and shop expense until each machine is delivered to the customer.

It is suggested that if a group of dealers

get together, using these forms, and arrange with some audit firm to consolidate their monthly reports, they will better their business. By Henry Simler. *Office Appliances*, October, 1934, p. 17:3.

Index Speeds Filing

The Carpenter Steel Company uses an automatic index to act as a check and to control the accuracy of all filing. This automatic index method is in reality a simplified alphabetic method with numeric control. The titles on the folders are visible as in other methods, but in addition to this there is a numeric key on each guide and on each folder. The use of this numeric control makes it possible to arrange for any number of subdivisions without sacrificing speed or accuracy in the filing department. *System and Business Management*, September, 1934, p. 427:2.

PRODUCTION MANAGEMENT

General: Promotion, Organisation, Policy, Development

We Are Stabilizing Employment

The Norge Corporation searches out new products that will pull up the seasonal downs in its sales curve. The new products launched since 1931 have been refrigerators, washing machines, and an oil burner. Plans are now afoot to diversify the lines further.

The vice-president of the company tells in this article how this helped to stabilize their employment and points out the problems they had to overcome in the process. By C. D. Donaven. *Factory Management and Maintenance*, November, 1934, p. 480:3.

How We Reduced Auto Accidents Involving Company Cars

"Of all types of industrial accidents, automobile accidents are the hardest to control. For the reduction of plant accidents it is possible to maintain a continuous supervision on equipment, on safety devices, on the men themselves. But the essence of motor truck and passenger car operation is that the equipment scatters to the four winds every morning, spends the working day in an environment over which the management has no control, and if everything turns out well, returns at night with a no-

accident record. So the task of reducing automotive accidents among a company's vehicles resolves itself almost entirely into the handling of the men who drive them."

In an effort to quell a rising flood of accidents, the Jewel Tea Company, Inc., in 1931, started a progressive campaign to reduce automotive accidents. This work was not done by the safety department but by the branch operating division, devoted to operation of physical equipment throughout the country.

Various angles of the campaign, such as rules, contests, rewards, penalties, posters, education and supervision, are described in this article. By Grant H. Sibley. *System and Business Management*, September, 1934, p. 420:4.

The Foreman's Place in Industry

The foreman in industry has a place analogous to that of the top sergeant in military affairs, according to the author, vice-president and general manager, Crompton & Knowles Loom Works, who says

that like the sergeant the foreman comes from the ranks; he must be competent through experience and training to do justice to his position, and see to it that the men under him do likewise; he must be fair both to his employer and his workers; and if he is to be a good foreman he must have the confidence of his employer, and the respect and confidence of his men. By John F. Tinsley. *Executives Service Bulletin*, September, 1934, p. 1:3.

What a Cost System Should Do for You

The Manager, Department of Manufacture, Chamber of Commerce of U. S. A., reviews separately the advantages of a good cost system and a good budget system and then examines the merits of the two, interlocked and operated as one.

Mr. Gunnarson also tells of the study his department has given to the most successful methods of organizing cost activities within an industry. By A. B. Gunnarson. *Profit*, September, 1934, p. 1:2.

Labor Relations: Collective Bargaining, Employee Representation, Arbitration

Making Men

Changes in working conditions in Chicago in the past thirty years are described in this article. Chicago, it is pointed out, has been a pioneer in many phases of employer-employee relations. Among the things discussed are railroad pensions, the loan shark evil, progress made in the yards and in Packingtown, and the future of social legislation.

The author concludes: "Personnel relations activity has done much to make Chicago the Utopia of all America for the working man. There have been strikes and labor disputes and misunderstandings through the years, but they have been of a much less serious nature than have prevailed in other parts of the country. Chicago workers have been loath to give up the benefits their employers have bestowed on them." By George Applegren. *Commerce*, November, 1934, p. 25:6.

Interpreting Section 7a with Bricks

For years Kohler Village and the Kohler plant near Sheboygan, Wisconsin, have been held up as an ideal partnership between management and workers. News of a particularly violent strike at Kohler came as a dramatic shock. Why should Kohler, of all places, be torn by disorder and bloodshed?

In this article Walter J. Kohler, the president, answers that question. By Walter J. Kohler. *Nation's Business*, November, 1934, p. 20:6.

Open Labor Policy

In this interview with the president, Aluminum Company of America, is described a month's strike, involving 8,500 industrial workers, which was settled with a minimum of violence—a couple of bloody noses.

When the strike was declared the com-

pany "advertised" through a letter from its president, published in the company newspaper, intentions and expectations concerning the outcome. A courteous and cooperative attitude was taken toward the employees, and the strikers reacted in the same manner.

As a result of the settlement of the strike a new plan of collective bargaining was introduced in the Aluminum Company

of America giving every employee a method whereby he may carry any grievance directly to the top.

The letter written by the president at the inception of the strike, one written after it had ended, and the agreement arrived at by the company and its employees are printed in the article. By S. C. Lambert. *Printers' Ink*, October 25, 1934, p. 7:7.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Employed and Unemployed Workers— Differential Factors in Employment Status

In what respects and to what degree do persons who are unemployed during a depression differ from those who continue to be employed? Do those who lose their jobs during the early stages of a depression differ greatly from those who remain steadily employed?

This bulletin does not give a complete or universally applicable answer to the question of differences between employed and unemployed persons, but it does report the differences between these groups with respect to certain characteristics among the workers in four classes of employment in three Minnesota cities during the year 1932: 1. Professional workers and business officials; 2. clerical workers; 3. skilled industrial workmen, and 4. semi-skilled workmen.

Among the conclusions reported are: 1. More individuals over 45 years of age are found among the unemployed than among the employed in these samples. Much unemployment is found among the younger workers also, however, more workers 24 years of age or less being unemployed than employed; 2. Unemployed workers tend to have stayed in their last job for a shorter time than do employed workers. Unemployment is again inversely related to length of time on last job; 3. Test records of abilities and aptitudes for all workers studied indicate that early un-

employed workers, regardless of sex or occupational group, do more poorly on occupational tests than the late unemployed or employed. The average test performance of late unemployed and employed workers is markedly similar; 4. Physical defects likely to affect efficiency are more prevalent among unemployed than among employed workers. By John G. Darley and Donald G. Paterson. *Employment Stabilization Research Institute Bulletin No. 6*, September, 1934. 26 pages.

The Fallacy of Higher Wage Rates

In this study of the relationship of wages to productivity, it is pointed out that higher wages and curtailed working hours do not increase the annual dollar income of wage earners. Measured over a 32-year period, or by individual industries for a single year, or by geographical sections—irrespective of business cycles, changing price levels, "legislative tinkering," or union activities—the annual income per worker varies with the output value. "The national welfare as well as the interests of labor and industry lie in increasing the productivity per worker—and nowhere else."

In conclusion it is suggested that management now come forward with its plan. . . . "Modernization of processes and equipment with increased productivity and income per worker and no increase in prices in return for freedom from external interference." By Allen W. Rucker. *Farrel-Birmingham Company, Inc.*, 1934. 15 pages.

Shop Methods: Industrial Engineering, Standardisation, Waste, Rate Setting, Time and Motion Study

Chrysler Employs New Methods in Making Airflow Cars

In the manufacture of its Airflow cars, the Chrysler Corporation has broken sharply away from conventional practices. Innovations described in this article include a group of special tube bending machines to form tubular steel seats; "fresh air curtains" around paint spray booths to protect workers against fumes and dirt; a large air conditioning plant employing butane gas as fuel to supply tempered air

to spray booths and drying ovens; arc welding of tubular seat parts after they are chromium plated; and drying of moisture on bodies "in the white" in induction-type electric ovens. By Burnham Finney. *The Iron Age*, November 1, 1934, p. 16:5.

Power Loss Check Chart

A graphic presentation of controllable wastes. The reverse side of the chart tells how 114 plants made power savings. *Factory Management and Maintenance*, October, 1934.

MARKETING MANAGEMENT

Product Development

An increasing number of manufacturers are turning to product development or product improvement as a means of stimulating sales and enlarging profits. Product development today is concerned not only with mechanical or technical excellence, but also with potential markets and qualities in the product that will meet the desires of consumers.

This report aims to give a picture of the methods used in creating new products or improving old ones—covering both experimental technical research, and also means of determining the market and testing consumer acceptance. The report is based on a survey covering the experiences of seventy-five companies. *Policyholders Service Bureau, Metropolitan Life Insurance Company*, 1934. 23 pages.

Where Is Next Year's Business Hiding?

Here is described the sales control plan as worked out by a large middle western company. The plan accomplishes four definite things: 1. It gives a complete perspective of the individual salesman's territory; 2. It determines the sales possibilities by individual customers and prospects; 3. It analyzes sales by cities and terri-

tories, and 4. It provides a master sales summary covering all territories. A detailed picture of the plan in operation is given. By Edwin H. Shanks. *American Business*, November, 1934, p. 23:4.

Key Executives Pick the Best Test Markets of the Country

Sales and advertising managers and agency heads, account executives, research directors and space buyers cooperated in an investigation made by Ross Federal Service, New York, giving the answer to this problem: "A hypothetical Ohio manufacturer is about to put a 25-cent item on the market *nationally*. In both price and function it should appeal to the great *mass* of consumers. It should appeal equally well to consumers in all *parts* of the country. Before going into media on a large scale, the manufacturer wants to make *test campaigns in ten cities* which would represent a cross-section of the country.

"*What ten cities come first in your mind as being the best test centers?*" Eight reasons for selecting each city were then listed for checking.

The first ten cities from a total of 162 were Hartford, Atlanta, Dallas, Chicago, San Francisco, Detroit, Boston, New York,

Los Angeles and Philadelphia. The distribution of the reasons behind the choice of test cities was as follows: 18.1 per cent—average in purchasing power; 15.4 per cent—typical of cities in same population class; 14.5 per cent—cooperation from retailers or wholesalers; 14.2 per cent—past

performance; 12.1 per cent—current business situation good; 11.1 per cent—cooperation from newspapers or other local media; 10.6 per cent—typical of a class or industry; 3.6 per cent—convenience to factory or advertising agency. *Sales Management*, November 1, 1934, p. 443:6.

Sales Promotion: Letters, House Organs, Advertising

Mail Drive Doubles Sales

A sales campaign which doubled the amount of sales during the six-month period from December 15, 1933, to June 15, 1934, as compared with the similar period of the year before is outlined by the sales manager of the F. O. Pierce Company (paints, varnishes, etc.).

In addition to the increase in the volume of sales, the campaign enables the company to revive inactive dealers and open fifty-eight new outlets. It also stimulated the sale of other items.

The first step in the campaign was to mail a letter to dealers announcing the coming of a book which would describe the sales plan. After the book was received the company mailed two broadsides—the first told the company's sales story in cartoon form; the second, mailed some time later, reproduced some testimonials from typical dealers.

The consumer campaign was built around a book which illustrated typical rooms, giving paint specifications for each. To follow up the book, the company mailed three post cards to prospects at intervals of one, two, and three weeks, emphasizing the desirability of home painting. By R. E. Donnoly. *Printers' Ink*, November 15, 1934, p. 56:2.

Specialty Selling

Specialty selling is any promotional effort that may be used to market a specialty. And a specialty is any product that bears marks of difference from other products or material in the same general class, or that can be distinguished from competing products because of a trademark or

a brand name or a package or by some sign of distinction. Emery Mapes and a man by the name of Clifford were running a flour mill in North Dakota. They thought of taking the heart of the kernel of wheat, packaging it and calling the resulting product "Cream of Wheat." Thus was started one of the most profitable specialties that this country has yet known.

The essential difference between a specialty salesman and a regular salesman is that the former concentrates on something—on a single product, on an especial type of selling, on a definite class of trade or on certain industries, or on solving problems, etc. The general salesman is a sort of a jack-of-all-trades, whereas the specialty man is an expert in some line of work. Specialty selling gets closer to the market; it entrenches itself better with customers than general selling, and in the long run it is more profitable, for the simple reason that it runs up a larger volume of the profit-bearing kind of sales.

The steel industry is only learning now what has been known in other industries for many a year. The specialty effort here consists in adapting the steel product to the customer's needs. Less emphasis is being put on tonnage selling and more on the promotion of special-analyses and special purpose steels. By John Allen Murphy. *The Iron Age*, November 1, 1934, p. 21:3.

New Packages to Pick Up Off-Season Sales

In this article the president of the Wilson-Western Sporting Goods Company tells how his firm copes with the sale of

seasonal products. He takes, for example, golf balls. Four novelty containers having a utility value were used to pack the balls for off-season sales—a cocktail shaker, a real leather toilet case, a cigarette case, and a gift box.

These packages are doing a four-fold

job: 1. They are opening new outlets; 2. They are increasing off-season sales; 3. They are putting sporting goods in the Christmas gift classification; and 4. They are getting golf balls displayed prominently. By L. B. Icely. *Printers' Ink*, November 1, 1934, p. 68:4.

Salesmen: Selection, Training, Compensation

Maintaining a Fighting Sales Spirit Despite Adverse Conditions

The Borden Sales Company, Inc. has maintained a fighting spirit in its large and scattered sales organization during the depression with the following policies: 1. A warmly sympathetic spirit on the part of the home office executives; 2. Calling district managers to New York office; 3. Showing a spirit of mutual confidence and respect; 4. Establishing a mutually beneficial commission plan.

In conclusion the vice-president of the company says: "Of course, there was nothing particularly ingenious about our method of strengthening the morale of our sales organization during the latter days of the depression. Perhaps the method we adopted can best be described as an abandonment of a set formula for sales management and a reversion to the first principles of human relationship, making men

feel that they are an integral part of a warm-blooded and kindly organization. Our results indicate that such simple methods can effectively be used to maintain and build a strong morale." By Howard J. Mountrey. *Executives Service Bulletin*, October, 1934, p. 1:3.

Training Develops Employees

When a company, after careful selection, hires an employee, its job is but half done, according to the general manager, Union Service Stations, Inc., for "the finest prospect quite possibly will turn out to be a failure or a half success unless you take the time and effort to tell him what you want done and how you want it done." This company's training program is necessarily thorough because of the many duties imposed upon the attendants at its 800 service stations. By J. H. Dasteel, *Executives Service Bulletin*, October, 1934, p. 3:2.

Retailing

Preventing Christmas Losses Through Theft and Shortages

The best method of preventing theft is quick service, according to the manager of a chain store. When someone acts suspicious the salesgirl offers to wait on him. If this does not accomplish its purpose she calls in code for assistance. This is done by adding a one-half to the number of the department. For instance, 819½. By placing glass panels, eight inches high, about merchandise easily stolen or covering valuable displays with glass, theft is considerably cut down. Detectives are not used since a mistake makes the store liable for

damages which would likely erase all the theft losses prevented in a year. By George Chamberlain. *Chain Store Age*, November, 1934, p. 15:2.

Six Ways to Increase Christmas Volume

The 5 cent to \$1.00 store, described in this article, is trying to push its Christmas sales to boom figures. Fixtures, cutouts, and booths are being built for holiday merchandise. Greeting cards are being pushed. From past experience it has been found that certain lines are very popular. Six of these are described:

1. Combination gift packages, all ready

for distribution and variously priced, shall be placed by hundreds in a booth in the center of the store; 2. Since the trend is toward decoration of trees and front lawns with electric lights these will be emphasized by special and varied displays; 3. Paying heed to the impetus given to home modernization by the Federal Housing Administration, emphasis is being placed on household items like drapes, curtains, paints, etc.; 4. The number of parties given

between Christmas and New Years is being taken into account and items like artificial flowers, favors, prizes, cards will be shown in a Christmas and New Year's party booth; 5. Special attention will be given to luring people to the restaurant and fountain by streamers announcing the menus; 6. Articles will be placed near the restaurant to attract those coming and going. By James C. Bertwell. *Chain Store Age*, November, 1934, p. 14:3.

Survey of Books for Executives

Beyond the New Deal. By David Lawrence. Whittlesey House, McGraw-Hill Book Company, New York, 1934. 321 pages. \$2.50.

A critical analysis of the New Deal and its implications to government and individuals. The author is editor of *The United States News*, an independent weekly, published in Washington.

Mr. Lawrence concedes the emergency nature of most of the steps taken by the New Deal and argues that "emergency ills require extraordinary remedies," but he goes beyond the New Deal and takes a look at the implications of present policies as the time arrives for making permanent some of the changes in our economic and social life wrought in the last 18 months.

The book is really in some respects an Outline of Recovery, since it charts the fundamental courses that are being followed and must be followed in a long and gradual swing toward equilibrium. But the author is not unmindful of the effects upon our system of government, indeed of the new responsibilities which government has assumed and he insists that to date the people have been "trusting a leader rather than a formula." Describing the Roosevelt personality with sympathetic phrases, the author points out that since the "Roosevelt smile cannot be syndicated throughout the government," it is important to observe the dangers which enlargement of

powers to persons in subordinate office will bring unless there is a new deal in government personnel.

The author undertakes a simple explanation of our major policies, and accompanies them with a critical analysis showing wherein they must be amended if recovery is to come. He paints a historical picture of the inevitable trend back to a gold basis over centuries of time, and predicts that not the old gold standard but a modified gold standard will be the ultimate result of present tendencies.

The author deals forcefully with the controversy over whether the profit system is to stay, and urges a wider distribution of tax burdens without strangling initiative.

Mr. Lawrence dismisses the fears of communism and fascism and declares that what we are moving toward is a "working liberalism." He offers as an alternative to "rugged individualism" what he describes as "responsible individualism," and applies the doctrine even more broadly to the behavior of nations, whose sense of moral values, he says, must be reawakened.

Instead of being selfishly preoccupied, governments everywhere, Mr. Lawrence writes, should turn their thoughts to "a new nationalism, an enlightened nationalism, a helpful, kindly, and brotherly nationalism which alone can mitigate and relieve the universal suffering of mankind."

How You Can Get a Job. By Glenn L. Gardiner. Harper & Brothers, New York, 1934. 188 pages. \$1.50.

Many persons with more than average ability remain among the unemployed simply because they lack the knack of selling their personal services. It is for these persons who are capable of rendering a worthwhile service to an employer that the author, an executive of Forstmann Woolen Company, prepared this book. In the market place it is recognized that a useless product is difficult to sell even with high class salesmanship. Likewise, in the employment market, unless a person has some ability to sell, his chances of getting a job are meager in a period when jobs are scarce.

There are jobs, even in a period of scarcity, for those who have the ability to perform efficiently and who know how to apply some of the tested methods of the successful salesman to the selling of their services.

The purpose of this book, is then, as Mr. Gardiner points out, to take an unemployed person just as he is, with whatever experience, education, training, and native ability he possesses, and suggest to him in definite terms the procedure he should follow and the tactics he should use in bringing his qualifications to the attention of prospective employers and in selling his services convincingly.

Accordingly, this book is designed for the use of the student seeking his first job, the skilled worker, the experienced executive in search of a new connection, the technician, and all those persons with ability who are looking for work.

The author concedes that not every unemployed person who reads this book will get a job. The writing of this book will not have increased the number of available jobs. "It is to be desired, however, that the available jobs should be filled by those persons most competent to fill them. If chronic unemployment is to create a permanent group of unemployed people, perhaps it is better for society that this group be composed of the least competent."

Contemporary Legislative and Banking Problems. American Institute of Banking, New York, 1934. 324 pages. \$1.50.

A non-technical treatment of the laws, services, and regulations resulting from the economic crisis, and a discussion of the banking problems arising therefrom.

The purpose of this text is to aid the banker in understanding what situations the different acts have been intended to correct, just how they have gone about it, and what the results have been to date. The problems which these acts have created for the banker—for example, the influence of the RFC and the Banking Act of 1933 on banking institutions—are discussed, and a survey is made of the changes wrought in the structure of the Federal Reserve System. The operations of the Federal Home Loan Bank System and the competitive importance of this organization in the field of savings banking are also studied. In other words, critical consideration is given to action taken under the New Deal legislation in the fields of money, banking, and price control.

Included in the subject matter is a discussion of the following: The banking holiday and the Emergency Banking Act of 1933 that grew out of it; various problems having to do with gold and money; agricultural problems; the Securities Act of 1933, and the various regulatory measures having to do with stock exchanges. Of especial interest is the discussion of the Banking Act of 1933, which includes an explanation of the rules and regulations that have been issued concerning various portions of the act.

Manual Skill: Its Organization and Development. By J. W. Cox. The University Press, Cambridge; Macmillan, New York, 1934. 247 pages. \$5.00.

This volume is concerned with problems relating to the acquisition of certain manual skill *after* normal control of the hand has been developed. The manual operations chosen for study are those involved in the

manipulation and adjustment of objects to one another, from the simple placing of a lid on a tin, or a nut on a bolt, to the high degree of skill needed by the surgeon. Briefly, the author considers first the problem of measuring manual skill. Next he considers the nature of the underlying factors which determine its organization. This is followed by an investigation of the conditions under which manual skill is best developed. Finally, in an analysis, the author considers an aspect of manual skill which is intimately related to its measurement, its organization and its development.

America's Hour of Decision. By Glenn Frank, Jr. Whittlesey House, McGraw-Hill Book Company, New York, 1934. 263 pages. \$2.50.

One of the most prominent members of the American Management Association has recently made a discovery. He tells me that his participation in numerous conferences at Washington and elsewhere convinces him that business men do not think. Rather, they wait until a crisis or a conflict arises and then range themselves on one side or the other, as instinct or interest may dictate. And from this unpromising beginning they work out a new set up or agreement by rationalization, cudgeling, and compromise.

Perhaps this indictment is too severe. Perhaps it isn't.

But at the very least it is certainly true that in matters of government most business men do their thinking, if any, on the firing line. Rarely indeed do they examine, calmly and dispassionately, away from the heat of battle, trends in government and statecraft, and social and economical organization. Being thus unprepared, their tendency when a crisis does arrive is to seize upon the most convenient over-simplification of issues—though this may be entirely misleading.

In corporate management, the record is certainly better. "To anticipate and to distinguish crises is a mark of maturity in a person or in a people," Glenn Frank

says. By this test, business has at least reached adolescence in the conduct of its own affairs. But "Even the most distinguished scientist will often bring a strangely unscientific quality of mind to affairs outside his own field" (Glenn Frank again), and even the most scientifically minded business administrator develops a similar atavism when problems of government involve him.

For the business man who is minded to do a little thinking about current problems in government and society, that he may anticipate coming crises instead of finding himself, later, suddenly bewildered by their imminence, this new book of Glenn Frank's can be the starting point for a good many interesting trains of thought.

As the chapter headings suggest, "America's Hour of Decision" has in it more challenge than constructive suggestion. Here they are: The Temper of the Crowd, Democracy Flouted, Freedom Invaded, Plenty Renounced, Science Betrayed, Education Hamstrung, Religion Exiled, Nationalism Amuck, The Alternative to Revolution.

But the book is not nearly as sensational as these chapter headings imply. One constructive suggestion of Mr. Frank's will particularly interest those business men already familiar with theories of organization. This is that "the technique for the mobilization and demobilization of crisis government be a fixed procedure formulated well in advance of the coming of crisis." Note particularly the inclusion of demobilization.

CHAPIN HOSKINS,
Managing Editor, *Forbes*

Social Insurance and Economic Security.

By Edward H. Ochser. Bruce Humphries, Inc., Boston, 1934. 289 pages. \$2.50.

This volume raises the question whether it is wise or just for any government to take the fruits of labor from the industrious, frugal, and thrifty citizens and give them, without their consent, to the lazy, shiftless, and immoral. It makes

the claim and furnishes the evidence that social insurance has an inevitable tendency to do this very thing and hence that it does not favor justice and fair dealing among men.

The book has individual chapters on Compulsory Health Insurance, Old Age Pensions, Widow's and Orphan's Pensions and Unemployment Insurance commonly spoken of as the "dole."

The Taxation of Banks. National Industrial Conference Board, New York, 1934. 148 pages. \$2.50.

This study analyzes the effects of taxation on bank profits, loan and investment policies, and on the services that the banks render to their communities.

Trends in methods of bank taxation from 1921 to 1934 are discussed for all states. The status of bank taxes at the beginning of 1934 and in 1921 is shown in comprehensive tables.

A ratio analysis of taxes as a factor in banking operations is an important feature of the book. Ratios are given for taxes to net profits, taxes to capital funds, and taxes to earning assets. The study examines the incidence of bank taxes and the effects of specific forms of taxation on the capital structure of banks and banking operations and functions.

Unfair Trade Practices: How to Remove Them. By Lincoln Filene, in collaboration with William Leavitt Stoddard. Harper & Brothers, New York, 1934. 134 pages. \$1.50.

The NRA has given business the opportunity to rid itself of unfair trade practices. The author describes efforts made in the past to effect this end—efforts which have been hindered by a lack of machinery to enforce any steps taken and by suspicions that agreements were being made in restraint of trade.

The book is especially concerned with unfair practices existing between the producer and distributor. The elimination of these, it is pointed out, is not

an end in itself but is a means to casting out suspicion now existing between these two, and allowing for a co-operation which is necessary that the producer and distributor can work together and achieve the quantity and quality of production that will be most nearly geared to what the consumer wants and when he wants it.

The sincere desire of an industry to clean up its own unfair trade practices combined with the opportunity now afforded it by the NRA should eliminate in the future much waste bound up in present relations between producer and distributor, insuring fairer prices to the consumer and better wages for the laborer.

Inland Marine Insurance. By William M. Mortimer. Transportation Service Company, New York, 1934. 454 pages. \$7.50.

This book explains in detail the application of insurance to transportation conditions. It discusses the mishaps to which goods are subject while in transit, where the carrier is liable and to what extent, as well as where there is no liability. It recites the evolution of common carrier liability and explains the importance of the Interstate Commerce Act governing the movement of freight carried by agencies subject to the act, as well as the method of classifying merchandise for rate purposes and the compilation of freight, baggage and express tariffs. A distinction is drawn between transportation companies subject to Federal and State regulations and those which are not subject to these regulations. The distinction is shown between the several types of motor carriers, i.e., common, private, and contract carriers, and the extent of liability assumed by each.

The author has divided all types of inland marine insurance business into two classes: 1. Merchandise in transit where the risk is wholly that of transportation, and 2. That class in which transportation is but part of the risk, as is true of goods shipped to processors where something is

added and in such cases the other risks are assumed by the underwriters.

The Open Door at Home. By Charles A. Beard. Macmillan, New York, 1934. 331 pages. \$3.00

Dr. Beard discusses problems of trade, economy, economic rivalry, and armaments; and brings under criticism current formulas and clichés bearing on "expanding foreign commerce." He sets forth a foreign policy for the United States based upon a new cultural policy in domestic affairs, taking into account the international scene and American life. His book denies the validity and appropriateness of the old liberal internationalism and presents the conditions requisite for national security, prosperity, and peace in a world of partial order and immense disorder. It is realistic and yet offers an ideal for the United States. It challenges the current assumption that outlets can be found abroad for the so-called surpluses of American industry and agriculture, and indicates the narrowing lines of escape from the crisis in economy and thought.

Life Insurance Accounts. By E. C. Wightman. Life Office Management Association, New York, 1934. 281 pages. \$3.50.

While its fundamental purpose is to serve as a textbook for students of life insurance accounting, it is hoped that this book "may be of a provocative nature to the extent of directing greater attention to the accounting needs of our modern life insurance companies, thereby promoting the adoption of methods somewhat less archaic than those in general use."

From an initial chapter on fundamental accounting principles and definitions the author proceeds to one on the principles of insurance accounting. He then gives a detailed discussion of the annual statement blank for life companies. Other points stressed are: Valuation of assets; accounting records and procedure, and the application of punched cards to life insurance accounting.

Wages Policy and the Price Level. By K. S. Isles. P. S. King & Son, Ltd., London, 1934. 256 pages. 9s.

A study of the problem of possible co-ordination of monetary and wage policies in a country in such a way as to increase the amount of stable employment as far as this can be done without a sacrifice of economic welfare. An analysis of the factors that determine how the volume of unemployment would be affected if wage rates were lowered haphazardly in times of great depression is followed by a discussion of the benefits and methods of adjusting wage rates to the price level as a normal policy. A statistical summary is given on the effects of wage rigidity in Great Britain and Australia on the volume of employment.

Roosevelt versus Recovery. By Ralph Robey. Harper & Brothers, New York, 1934. 163 pages. \$2.00.

All the major policies of the Administration are discussed, and it is pointed out that individually they are the groundwork for reform but collectively they are the groundwork for social revolution.

Mr. Robey centers his attack on the inevitability of uncontrolled inflation as the forerunner of complete economic collapse. He shows how the present artificial raising of prices is inimical to the requirements of a resumption of normal business.

The author discusses the value of the three possible economic systems and presses for a return to the tenets of liberal capitalism as opposed to communism or fascism, to one of which he believes the Administration will eventually lead us.

Public Utility Valuation for Purposes of Rate Control. By John Bauer and Nathaniel Gold. Macmillan, New York, 1934. 477 pages. \$3.50.

This book is a part of a general study on legal valuation which is being made under the auspices of the Columbia University Council for Research in the Social Sciences.

In three integrated parts, the book embodies the economic and legal fundamentals, as well as the practical and procedural aspects of valuation and gives special regard to objectives, policy and administrative requirements of public control.

Part I sets forth the historical development of the valuation concept. It presents a correlation between the economic forces and the political and legal trend as shown in legislative and judicial action.

Part II is procedural in scope. While it is mainly descriptive, it is also analytical and critical. Its aim is to make clear both the practical methods pursued and the legal bases of valuation technique as applied to the principal classes of property. It places emphasis upon conceptual clarification, policy, and administrative standards.

Part III presents a general critique of the present system of rate regulation and offers suggestions for effective revision. It centers on the requirements of a proper rate base both as to effective rate making and as to the broader aspects of public control.

Who Gets the Money? By Walter Rautenstrauch. Harper & Brothers, New York, 1934. 99 pages. \$1.00.

The United States is depicted by the author, Professor of Industrial Engineering, Columbia University, as one large national plant made up of producers and overhead workers—those who do not produce, but perform some service like teaching, banking, etc.

In studying income distribution trends, Dr. Rautenstrauch arrives at and interprets the following conclusions: 1. Producers, who fifteen years ago included two-thirds of all employed, now are made up of only half the working population. Today they get only one-third the money spent in the operation of the national plant. Fifteen years ago, when the costs of operation were the same, they got half the money; 2. Today the overhead group gets two-thirds of all money spent. Fifteen

years ago they got only one-half; 3. The property-owner is neither producer nor overhead worker. And as a reward of ownership idling in 1932 he was more than five times as well off as the average production worker; more than ten times as prosperous as the average farmer, and took in close to four times as much money as the average overhead worker; 4. Our national economy in fifteen years has undergone a radical change. Fewer people are now dealing with things. More people are making a living by dealing directly and indirectly with goods after they are made; 5. Overhead costs have mounted to 230 per cent, or an addition of 128 per cent in fifteen years, while the total operation costs of the national plant were approximately equal in 1917 and 1932. Business on the downgrade; overhead on the upgrade. Here is abundant evidence of shocking mismanagement.

Economy and Control Through Office Method: The Vee System. By E. W. Workman. Pitman Publishing Corporation, New York, 1934. 104 pages. \$2.25.

Pointing out that the cost of office work is usually found to be excessive for two reasons—the volume of duplicated work and the use of too high a proportion of the more highly paid clerks and bookkeepers—the author lists the aims of an improved system as follows:

1. The recopying of any recorded fact must be reduced to the minimum, whether the fact is required for use in several different departments or not;
2. The prevention of duplicate calculations;
3. The separation of work to enable employment of senior staff to be confined to control work, routine work being done by junior staff;
4. The provision of complete statistical control for all departments without additional clerical expense in obtaining this control;
5. The possibility of dealing with seasonal overloads of work by the temporary addition of semi-skilled staff without having to incur the expense of inefficiently employing either extra machines or extra skilled labor during slacker times;
6. A high

speed in preparing customers' statements so that accounts may be paid and work prevented from overlapping with that of the next month; 7. A quick reference to all available information; 8. A simple system, easily introduced and easily worked, in which the staff can take pride; 9. A system which will meet with the stringent requirements of both internal and external audit; 10. The appearance of the final records in conveniently sized bound book form would be an advantage welcomed by many; 11. Low initial capital cost; 12. A system which, whilst adding the advantages of an efficient control, will be capable of being operated at much less clerical cost and which will produce its results in a shorter period of time.

Such are the ideals; the way to achieve them is explained in this book which is directed toward offices in England.

Wisconsin Unemployment Insurance.

By Roger Sherman Hoar. The Stuart Press, Milwaukee, 1934. 230 pages. \$4.50.

The Wisconsin Unemployment Insurance Act, passed on January 28, 1932, and amended in 1933, is here analyzed and annotated, and the plans voluntarily introduced under the Act are summarized. The Act went into effect on July 1, 1934, because the employers failed to establish enough voluntary plans meeting the specifications of the Act.

An Atlas of Current Affairs.

By J. F. Horrabin. Alfred A. Knopf, New York, 1934. 153 pages. \$1.50.

These seventy-four simplified outline maps are of a sort which should be appearing daily in every newspaper, and too rarely appear in any. They show, for instance, Poland and the character of her minorities; the Saar, its relationship to France and Germany and the coal and iron fields of the area; the relations between Italy, her north African colonies and Abyssinia; the railway network in Manchuria and the Chinese Eastern; the "Communist" areas in China. They illus-

trate many other points that will be in the news tomorrow or were in it yesterday.

Each map, as the author says, is an exercise in "the art of leaving out," as is the paragraph or two of condensed exposition facing each.

A Program for Unemployment Insurance and Relief in the United States.

By Alvin H. Hansen, Merrill G. Murray, Russell A. Stevenson and Bryce M. Stewart. The University of Minnesota Press, Minneapolis, 1934. 201 pages. \$2.50.

This volume is the result of four years of investigation by the Employment Stabilization Research Institute of the University of Minnesota. It is the more complete analysis with fuller statistical data promised in the study by Hansen and Murray, "A New Plan for Unemployment Reserves" (University of Minnesota Press, 1933).

Criticism and discussion of the program suggested in the previous study, especially through the work of Mr. Stewart of Industrial Relations Counselors, Inc., and his staff who have produced outstanding contributions in this field, have resulted in a change of viewpoint from the earlier study. The previous volume presented a plan providing for both company and industry funds with emphasis on the prevention of unemployment by placing the burden of cost on the employer. The provision for reserves by individual companies is abandoned in the plan now presented and the wider pooling of funds is advocated. Thus the authors explain, they have gone over to the school of thought which holds that the possibilities of preventing unemployment are limited, that the primary purpose of unemployment insurance should be to give relief to the unemployed, and that reserves should be pooled in a common fund so that the unemployment risk may be adequately spread among a large group of employers and workers.

The plan for regular unemployment insurance benefits incorporates the leading

features that are being advocated for insurance of the pooled type. The proposal for emergency unemployment benefits is believed by the authors to be a new contribution to plan procedure and an important part of plans for the relief of unemployment. Another interesting feature of the book is a section by Professor Hansen on the investment of unemployment reserve funds. This is the first serious attempt that has been made to deal with the financial and banking angle of the subject in its connections with business stability.

The plan for unemployment insurance is set in its proper place in a larger program for unemployment relief in Part I. The need for coordinated measures of insurance and relief is there discussed and the rôles of the Federal and State governments.

The careful use in this study of the historical experience of other countries and plans, of the appropriate statistical facts and of the theory of the subject, together with the well known reputation of its authors and their supporting organizations make the volume a notable contribution in the field.

L. P.

Federal Securities Act Procedure. By J. K. Lasser and J. A. Gerardi. McGraw-Hill Book Company, New York, 1934. 388 pages. \$4.00.

Prepared especially for the use of financial and legal executives and accountants, this book is a key to the conditions, requirements and liabilities of issuing and registering securities, and an outline of the mechanics of preparing the audits, forms and statements required by the Federal Securities Act.

After introductory chapters on the historical setting of the Act and the definition and analysis of important terms, the authors treat the following subjects: Securities and transactions exempted from registration; requirements as to registration of securities and amendments to registration statements; form and contents of registration statements; preparation of

financial statements by the accountant; prospectus; powers of the commission and review by the courts; general analysis of the rights of purchasers and civil liabilities; civil liabilities of issuers, controlling persons, directors, officers, experts, and others; unlawful practices or violations and criminal liability. The appendices give the text of the Securities Act and of the Corporation of Foreign Bondholders Act together with specimens of the Commission's Form A-1.

New Frontiers. By Henry A. Wallace. Reynal & Hitchcock, New York, 1934. 314 pages. \$2.00.

Many of the business men whom I have met misunderstand Secretary Wallace, his objectives and his ideals. I have had the pleasure of knowing Secretary Wallace for several years, have had a number of lengthy discussions with him, have read much of his writing, and seriously recommend to business men the reading of "New Frontiers," his most recent book. I believe that anybody who reads this book carefully will have a greater understanding of Mr. Wallace and his objectives, and at the same time will broaden his own conception of the job ahead. This is not a book on agriculture alone. It gives informative material about government, industry, money, tariffs and other major problems which have bothered us in recent years. Throughout the entire book, one gets the feeling that Mr. Wallace is interested in people and their future and is looking ahead to "New Frontiers" with this principle in mind.

The book is divided into four sections, the first three sections show how broad are the studies and investigations of Secretary Wallace, but if the reader does not get the drift of what Mr. Wallace sees ahead and what he has in mind, he will get it when he reaches the fourth section "Untrod Paths."

EDGAR KORAK,
Vice-President in Charge of Sales,
National Broadcasting Company, Inc.

;
f
-
g
d
a
e
e
t
-

e.
h.

e
is
e
r
f
d
i-
w
e
y
r.
e
-
k
re
y,
as
s.
ie
n
g
r-

s,
d
c-
ot
es
ll
c-